

Singapore Management University Institutional Knowledge at Singapore Management University

Research Collection School Of Accountancy

School of Accountancy

12-2013

Survey on the role of investor relations in the modern day corporation

Andrew LEE

Singapore Management University, andrewlee@smu.edu.sg

Jiwei WANG

Singapore Management University, jwwang@smu.edu.sg

Follow this and additional works at: https://ink.library.smu.edu.sg/soa_research

Part of the [Accounting Commons](#)

Citation

LEE, Andrew and WANG, Jiwei. Survey on the role of investor relations in the modern day corporation. (2013). 1-16. Research Collection School Of Accountancy.

Available at: https://ink.library.smu.edu.sg/soa_research/1618

This Report is brought to you for free and open access by the School of Accountancy at Institutional Knowledge at Singapore Management University. It has been accepted for inclusion in Research Collection School Of Accountancy by an authorized administrator of Institutional Knowledge at Singapore Management University. For more information, please email libIR@smu.edu.sg.

The Role of Investor Relations in the Modern-day Corporation

A collaborative study by

Investor Relations Professionals Association (Singapore)
and
Singapore Management University

Supported by
Singapore Exchange



10 December 2013



CONTACT

For enquiries regarding this report, please contact:

Investor Relations Professionals Association (Singapore)

IRPAS Secretariat

Tel: +65 6222-3765

Email:

info@irpas.com (General enquiries)

membership@irpas.com (Membership enquiries)

Website:

www.irpas.com

Singapore Management University

School of Accountancy

Dr Andrew Lee

Associate Professor of Accounting Practice

Email: andrewlee@smu.edu.sg

Dr Wang Jiwei

Associate Professor of Accounting Practice

Email: jwwang@smu.edu.sg

The information contained in this publication is provided for general purposes only. While every effort has been made to ensure that the information is accurate and up-to-date at the time of going to press, the Investor Relations Professionals Association (Singapore) and Singapore Management University accept no responsibility for any loss which may arise from information contained in this publication.

© December 2013, Investor Relations Professionals Association (Singapore) and Singapore Management University

No part of this publication may be reproduced in any format without the prior written permission of the Investor Relations Professionals Association (Singapore) and/or Singapore Management University.

ABOUT INVESTOR RELATIONS PROFESSIONALS ASSOCIATION (SINGAPORE) (IRPAS)

IRPAS was established in 2006 by leading investor relations (IR) practitioners, supported by the Singapore Exchange (SGX), with the primary objectives of championing IR best practices, enhancing professional competencies and elevating the overall standard of the IR profession in Singapore. Run by IR professionals for IR professionals, IRPAS is a voluntary commitment by a team of IR veterans united by the same dedication to build a community for IR professionals, empower members through education, professional development and networking initiatives, and to facilitate the sharing of IR knowledge and best practices through internally-driven research as well as in partnership with prestigious institutions. IRPAS aims to represent the views of its members, and provides the platform to facilitate dialogue among the IR fraternity, regulatory bodies and investment community. IRPAS has approximately 200 members comprising representatives from companies listed on the Mainboard and Catalist of SGX covering a spectrum of geographies, industries and market capitalisations, leading private institutions, as well as IR advisors and service providers in Singapore and the region.

ABOUT SMU SCHOOL OF ACCOUNTANCY

Established in 2001, the School of Accountancy at Singapore Management University is home to more than 1,000 undergraduate and graduate students in accountancy as well as 1,000 alumni. The School's mission is to develop versatile accounting professionals and business leaders through relevant knowledge creation, holistic education programs and collaborative interactions with the business community. The School currently offers three degree programs – Bachelor of Accountancy, Master of Professional Accounting, and Master of Science in CFO Leadership.

Foreword



Mr Magnus Böcker
Chief Executive Officer
Singapore Exchange

The Investor Relations Professionals Association (Singapore) (IRPAS) has grown from 12 founding members in 2006 to 200 professionals today. This is impressive but we can do more to develop the investor relations (IR) profession in Singapore.

As an exchange, we know full well the importance of operating a marketplace whereby there is investor trust in listed companies. Singapore Exchange (SGX) therefore strongly encourages companies to proactively engage their shareholders and support them in this area by sponsoring the efforts of IRPAS.

I am heartened to see the joint effort by IRPAS, Singapore Management University and SGX to embark on this study to better understand the role of investor relations.

I would like to take this opportunity to thank IRPAS for their contribution to raise the standing of investor relations in Singapore. And I look forward to more companies focusing on investor relations and engaging their shareholders.



Mr Harold Woo
President, IRPAS and
Senior Vice President,
Investor Relations,
CapitaLand

Since establishment in 2006, IRPAS has been working the ground and steadily building up our membership base.

This year, we are re-launching IRPAS as we accelerate our efforts and reaffirm our commitment to the cause of championing best practices and elevating the quality standards of investor relations in Singapore.

In conjunction with that, we have launched our inaugural survey of IR officers in SGX-listed companies, which has provided important insights into the workings and needs of companies on the IR front. The results, which clearly underscore the importance of IR for corporations today, provide interesting food for thought.

I would like to take this opportunity to thank SGX for sponsoring IRPAS, the Singapore Management University for administering and collating the survey findings, and our members for contributing your time and thoughts.

As a voluntary body for IR professionals run by IR professionals, IRPAS thrives on the active participation of you, the IR fraternity, as we work to further develop the industry and create a dynamic IR community. We look forward to your continuous support as we forge ahead with this common goal.

Contents

Executive Summary	4
Profile of Investor Relations Officers (IROs) and their Organisations	6
Structure and Organisation of the Investor Relations (IR) Function	8
Functional Responsibilities of IROs	10
IRPAS Membership	14
Conclusion	15

Executive Summary

Preamble

In March 2013, the Investors Relations Professionals Association (Singapore) (IRPAS), in collaboration with the School of Accountancy at Singapore Management University (SMU) and the Singapore Exchange (SGX), embarked on this study with the objective of achieving a better understanding of the role of investor relations (IR) in today's modern corporation as well as the role of IRPAS in further developing the investor relations profession in Singapore.

The study aims to provide insights into the structure and organisation of the IR function in Singapore listed companies as well as the roles and responsibilities of Investor Relations Officers (IROs) in these organisations.

We administered an online questionnaire survey during August and September 2013 to the IROs (or officers responsible for the IR function) of more than 700 companies listed on the Singapore Exchange (SGX). IRPAS provided advice and inputs on the contents of the questionnaire; SMU advised on the survey methodology, administered the survey, and analysed the results; while SGX assisted in disseminating the survey.

A total of 91 usable responses were received, representing a response rate of 11.7%. To contextualise our analysis, we partitioned the responses into groups by their companies' market capitalisation – large-cap (>S\$1 billion) and mid-cap (S\$300-S\$1,000 million) companies, and small-cap (<S\$300 million) companies. Due to the small number of respondents in the mid-cap group, we merged them into the large-cap group.

Profile of IROs and their organisations

Almost three-quarters of the organisations that responded to the survey have been listed on the SGX for more than five years. IROs who responded have an average of 15.4 years of total work experience, of which 5.7 years were in the IR function in various organisations.

The vast majority of IROs hold at least a degree or professional qualification in accounting, business, finance or economics. A significant 13% of IROs hold at least a degree in communications.

Structure and organisation of investor relations function

Respondents were asked if their organisations had a dedicated IR office or officer responsible for the IR function. An overwhelming 94% of large- and mid-cap companies have a dedicated IR office or officer. However, only 32% of small-cap companies have a dedicated IR office or officer. While this finding is not surprising, it suggests that large- and mid-cap companies find it important to expend significantly more resources on the IR function due to their wider investor base. It also suggests the increasing role of IR as well as the need to reach out to a larger and more diverse pool of investors for capital for these companies.

For companies that did not have a dedicated IR office or officer, the most common reasons given were that the IR function was adequately performed by an existing officer of another function or the function was outsourced to an external professional or IR firm. In the former case, the Chief Financial Officer (CFO) was concurrently also responsible for the IR function in the majority (75%) of those organisations.

A significant majority (69%) of IROs sit on C-suite management meetings of their organisations, reflecting the importance of the IRO appointment in those organisations.

Functional responsibilities of IROs

The roles and responsibilities of IROs differ quite significantly between large- and mid-cap companies versus small-cap companies. More than 90% of IROs of large- and mid-cap companies consider communication and interaction with financial analysts and investors as their most widely held roles and responsibilities as IROs.

For small-cap companies, however, less than 60% of IROs consider these as their key roles and responsibilities. Instead, the more critical roles and responsibilities of small-cap companies' IROs were that of managing quarterly or annual earnings press releases as well as annual reports – 78% of small-cap companies' IROs indicated these as their key roles and responsibilities.

IROs of large- and mid-cap companies also tend to hold a more diverse portfolio of other responsibilities including developing, implementing and managing IR programmes; providing feedback to senior management; monitoring and summarising analyst reports; and organising investor events.

Consistent with their roles and responsibilities, more than 50% of large- and mid-cap companies' IROs also indicated communication of key corporate developments to the market as well as liaison with analysts and investors as functions that occupied the most of their attention and time. For small-cap companies, however, less than 25% of IROs indicated these functions as occupying most of their attention and time. The majority of small-cap companies' IROs spent most of their attention and time on managing the production of the annual report (and other compliance reports) as well as managing quarterly and annual earnings press releases.

Respondents were asked to rank the top three IR functions that they find most challenging in their organisations. The three most challenging functions were: (1) communicating with institutional shareholders, (2) communicating with investors on key developments in the organisation, and (3) establishing an optimal mix and type of shareholders and achieving that mix through various initiatives.

Respondents were asked to rate the relative importance of various key performance indicators (KPIs) as performance measures for their roles as IROs. Ability to retain and attract existing institutional investors and increase in market value of the organisation were considered the most important KPIs. Of somewhat lesser importance were KPIs such as increase in analyst coverage and increase in the market liquidity of a firm's shares. The relative importance of these KPIs did not appear to differ significantly between large- and mid-cap companies versus small-cap companies.

Despite the wide use of social media today, more than 87% of IROs indicated that they either rarely use or do not at all use social media to engage investors. Only 4% of IROs indicated that they frequently use some form of social media to communicate with investors.

IRPAS membership

To achieve a better understanding of how IRPAS might assist in furthering the professional interests of its members, the survey asked respondents some questions related to IRPAS membership.

About 29% of respondent-organisations are currently corporate members of IRPAS, while 18% of respondents currently hold individual memberships in IRPAS. Of those who are currently corporate members, more than two-thirds have been corporate members for more than 3 years, while more than one-third of those who are individual members have been members for more than 3 years.

Most respondents (90%) see an IRPAS membership as providing them with access to industry-specific IR content and intelligence – these could include best IR practices among firms, résumés of job applicants, and career opportunities for IR professionals.

On courses, events or initiatives that IRPAS could consider organising that would potentially benefit its members, most respondents suggested networking events with IR award winners, experienced IROs, analysts and media as well as seminars on communications and marketing skills with investors, and best practices on how to conduct Q&A sessions with investors.

Profile of Investor Relations Officers (IROs) and their Organisations

We administered an online questionnaire survey during August and September 2013 to the IROs or officers responsible for the investor relations (IR) function of more than 700 companies listed on the Singapore Exchange (SGX). A total of 91 complete and usable responses were received. To contextualise our subsequent analysis, we partitioned the responses into groups according to their company's market capitalisation.

Table 1 shows the distribution of responses as well as response rates by company market capitalisation. For convenience, we refer to these groups as large-cap, mid-cap and small-cap companies respectively.

Table 1: Distribution of responses by company market capitalisation.

Company size	Market capitalisation (S\$ mil)	No. of responses	Response rate
Large-cap	More than \$1,000	39	33.6%
Mid-cap	\$300 – \$1,000	8	8.1%
Small-cap	Less than \$300	44	7.9%
TOTAL		91	11.7%

Figure 1 shows the number of years that the respondent companies have been listed on the SGX. Almost three-quarters of the companies (74%) have been listed for more than five years, while 39% have been listed for more than 10 years.

Figure 1: Number of years respondent-organisations are listed on SGX.

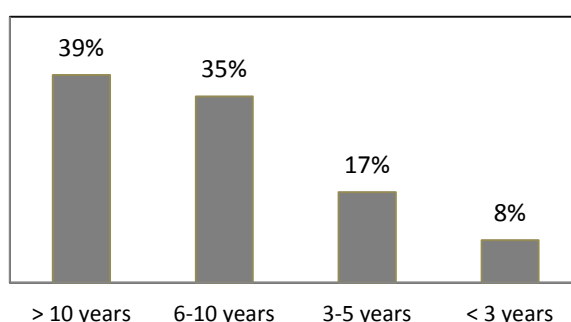


Figure 2 shows the gender distribution of the 91 Investor Relations Officers (IROs) who responded to the survey. The proportion of male-to-female IROs was fairly evenly spread for large-cap and mid-cap companies, but there were significantly more male IROs (66%) for small-cap companies.

Figure 2: Distribution of IROs by gender.

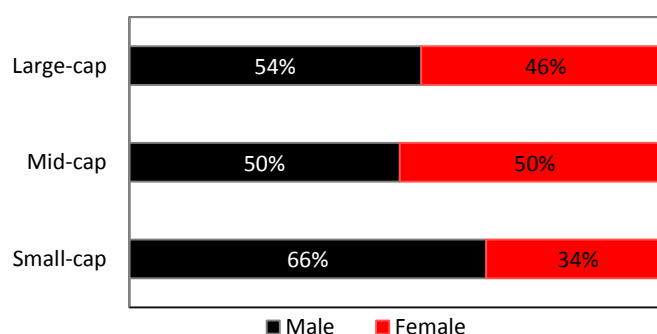


Figure 3 shows the average number of years of work experience of respondents, both in the investor relations (IR) function as well as in all other functions. Respondents have an average of 15.4 years of total work experience, of which 5.7 years were in the IR function.

Figure 3: Average years of work experience of IROs.

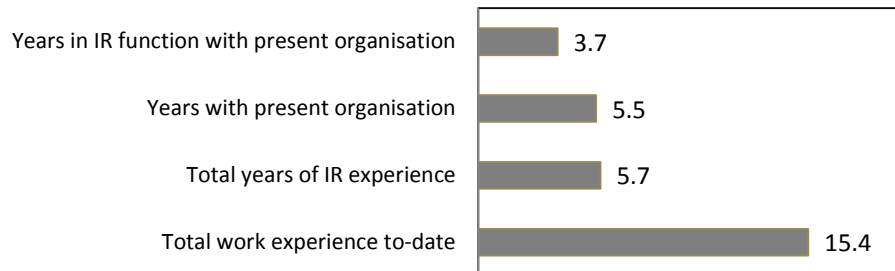
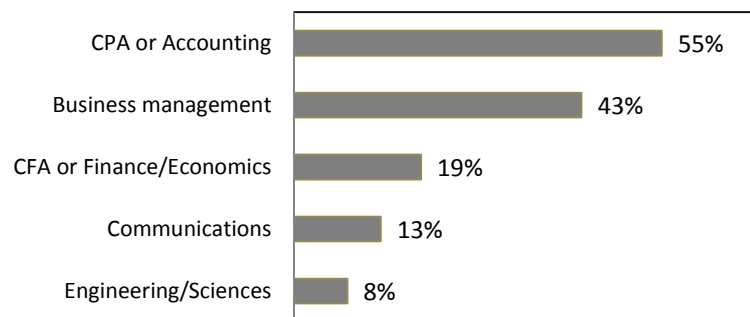


Figure 4 shows the qualifications of respondents (percentages in the figure include those who hold multiple qualifications). The majority of IROs (55%) holds at least a degree or professional qualification in accounting, while 43% hold degrees in business management and 19% have a degree or qualification in finance or economics. A significant 13% of IROs hold degrees in communications.

Figure 4: Qualifications of IROs.



Note: Total exceeds 100% due to multiple qualifications of some respondents.

Structure and Organisation of the Investor Relations (IR) Function

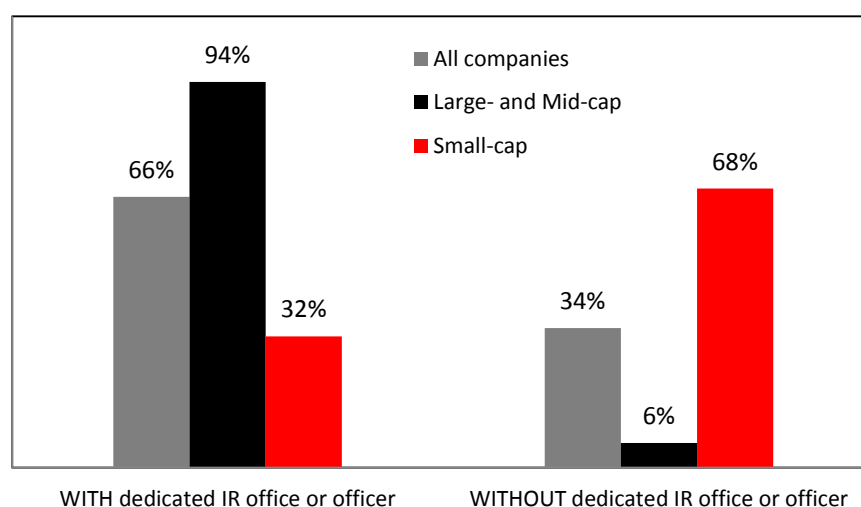
The survey asked respondents to indicate whether their organisation has a dedicated investor relations (IR) office or officer responsible for the IR function. If their organisation does not have a dedicated IR office or officer, the respondents were then asked who in their organisation is responsible for the IR function.

As shown in Figure 5, the majority of the respondent-organisations (66%) have a dedicated IR office or officer, reflecting the importance of the function to the organisations. However, a significant one-third (34%) of the organisations do not have a dedicated IR office or officer responsible for the IR function.

To contextualise our analysis, we further examine whether the incidence of a dedicated IR office or officer might differ between large- and mid-cap companies versus small-cap companies. As the sub-sample of mid-cap companies is small, we combine mid-cap companies with large-cap companies.

The evidence in Figure 5 based on company size is telling. Among the large- and mid-cap companies, an overwhelming 94% of them have a dedicated IR office or officer. On the contrary, among small-cap companies, only 32% of them have a dedicated IR office or officer.

Figure 5: Percentage of organisations with or without a dedicated IR office or officer.

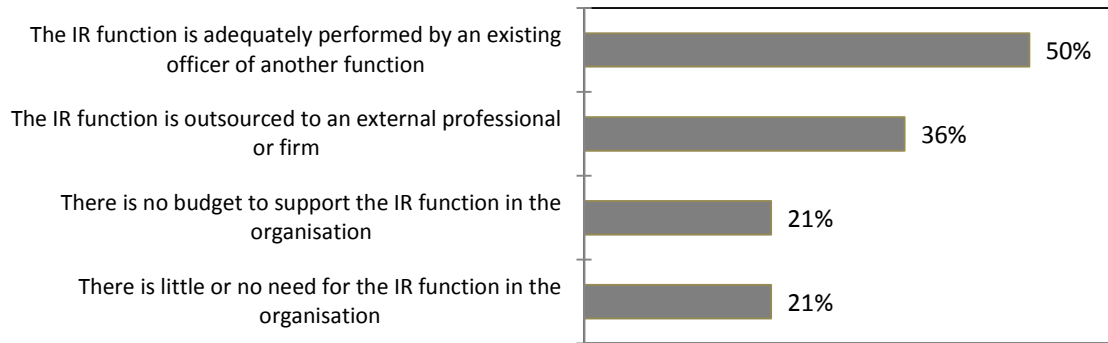


This finding is not surprising. Given their much wider investor base, large-cap and mid-cap companies find it necessary to expend more resources on the IR function compared with small-cap companies. This finding also highlights the growing importance of the IR function in listed companies as and when their businesses expand, thereby increasing the need to reach out to a larger and more diverse pool of investors for capital.

A significant majority (69%) of all respondent IROs sit on C-suite management meetings of their organisations, reflecting the importance of the IRO appointment in those organisations. Some 36% of IROs also hold concurrent appointments as CFOs, but a significant 29% of IROs do not hold any other concurrent appointments (i.e. the IR function is their sole responsibility).

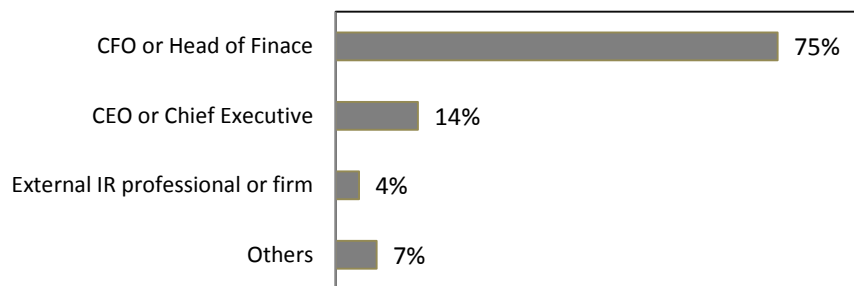
Among those respondents whose organisations do not have a dedicated IR office or officer, Figure 6 shows the common reasons why this is so. Half of these organisations (primarily the small-cap companies) felt that the IR function is adequately performed by an existing officer of another function, while in 36% of them the IR function was outsourced to an external professional or firm. However, some 21% of the respondents indicated that there is little or no need for the IR function in their organisations.

Figure 6: Reasons for organisations not having a dedicated IR office or officer.



Where organisations do not have a dedicated IR office or officer, a substantial 75% of them have their IR function performed by their CFO or Head of Finance (see Figure 7), while in 14% of them the function is performed by the CEO or Chief Executive.

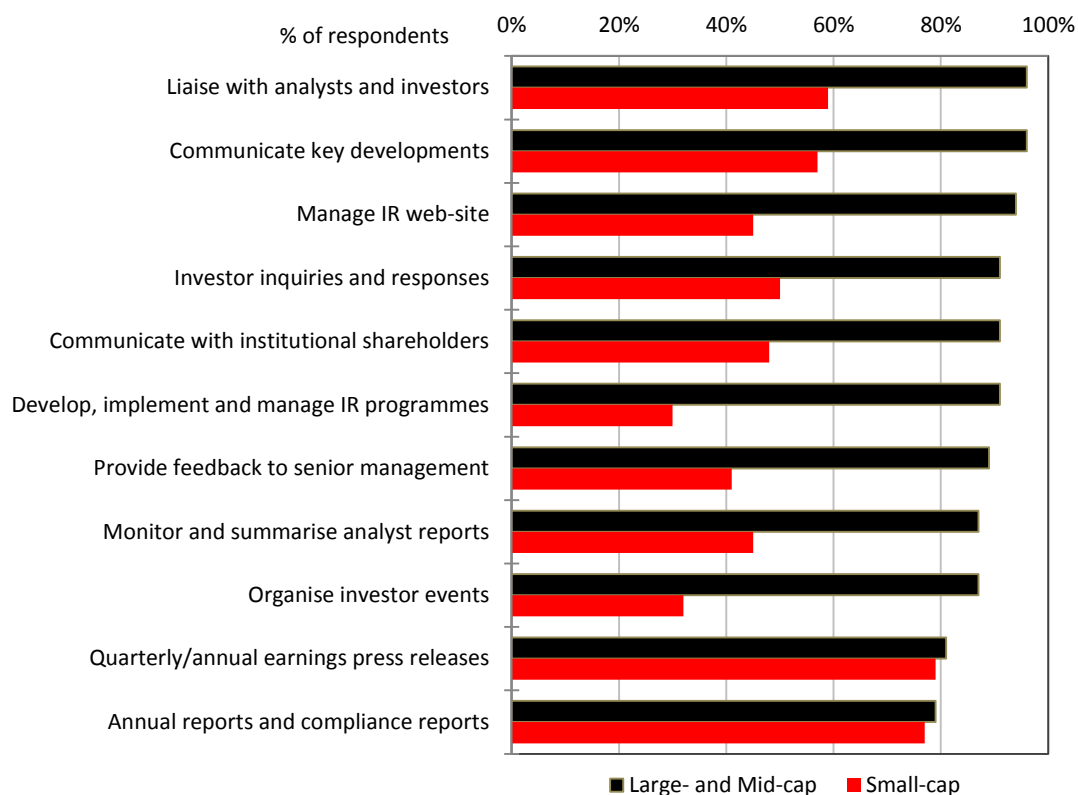
Figure 7: Officer performing IR function in firms without dedicated IR office or officer.



Functional Responsibilities of IROs

From a list of functional responsibilities typically associated with the IR function, respondents were asked to identify those that constituted their key roles and responsibilities as IROs in their organisations. Figure 8 shows the percentage of IROs who identified each of the listed functions as among their key roles and responsibilities, with results shown separately for large- and mid-cap companies versus small-cap companies.

Figure 8: Functional responsibilities of IROs.



The roles and responsibilities of IROs differ quite significantly between large- and mid-cap companies versus small-cap companies (Figure 8). For large- and mid-cap companies, communication and interaction with financial analysts and investors were the most widely held roles and responsibilities of IROs – more than 90% of IROs consider these to be their key responsibilities. Such communication and interaction take various forms, such as liaising and communicating with analysts, investors and institutional shareholders; communicating key corporate developments to the market; managing investor inquiries and responses; and communicating with institutional shareholders.

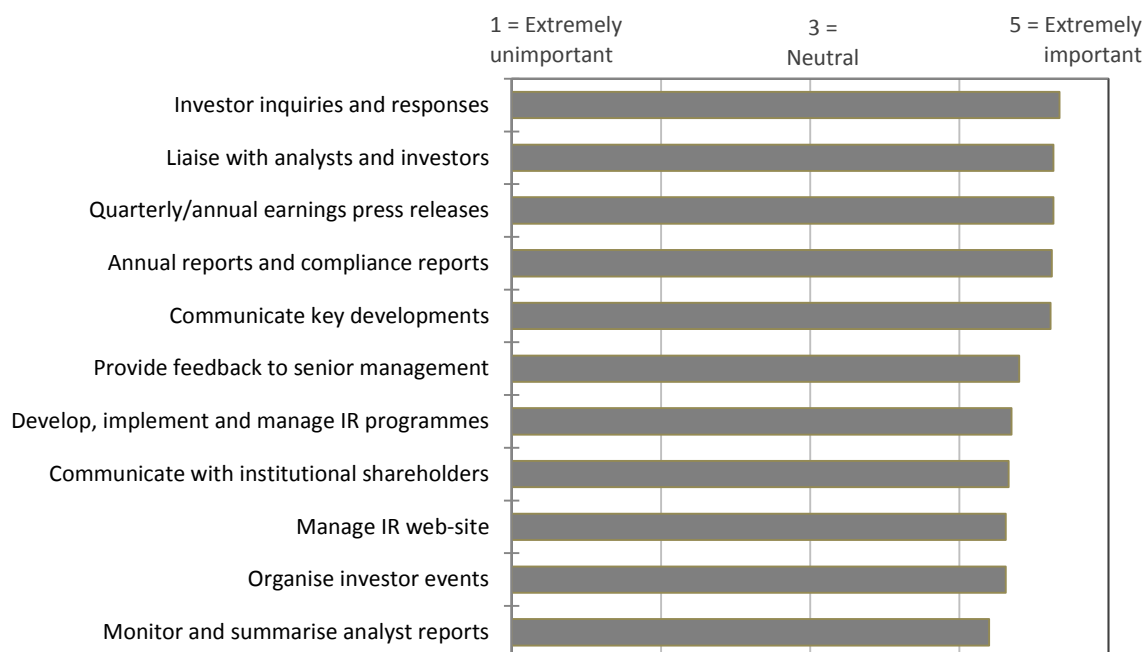
For small-cap companies, however, communication and interaction with financial analysts and investors were much less prevalent roles and responsibilities of the IROs. On the contrary, for small-cap companies, managing quarterly or annual earnings press releases as well as annual reports were the most prevalent responsibilities, as indicated by 78% of these IROs. While a similar percentage (80%) of IROs of large- and mid-cap companies are also responsible for managing their firms' earnings press releases and annual reports, this responsibility is more critical for small-cap IROs relative to their other responsibilities.

IROs of large- and mid-cap companies also tend to hold a more diverse portfolio of responsibilities relative to their small-cap counterparts. Some of these additional responsibilities of large- and mid-cap IROs include developing, implementing and managing IR programmes; providing feedback to senior management; monitoring and summarising analyst reports; and organising investor events.

Relative importance of various IR functions

Respondents were also asked to rate the relative importance of each of numerous IR functions to their organisations on a scale of 1 (Extremely unimportant) to 5 (Extremely important). Figure 9 shows the results. Consistent with their identified responsibilities, respondents rated communication and interaction with financial analysts and investors as well as managing quarterly and annual financial announcements and reports as the most important functions, rating each of these functions with an average importance score of more than 4.6 out of 5.0.

Figure 9: Relative importance of various IR functions to the organisations.



Functions occupying most of IROs' attention and time

Respondents were next asked to identify up to three IR functions that occupied the most of their attention and time over the past 12 months. Figure 10 shows the results separated by company size.

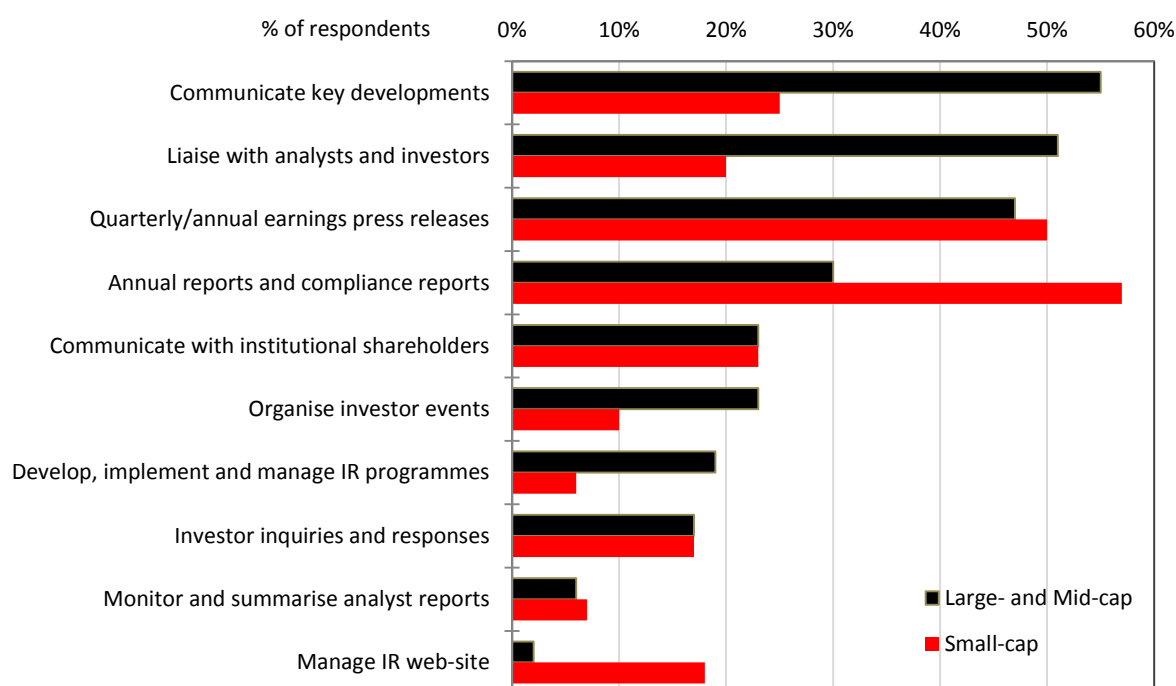
For large-cap and mid-cap companies, communicating key corporate developments to the market topped the list as the function that occupied most of the IROs' attention and time – 55% of large- and mid-cap companies' IROs indicated this to be so. This was followed closely by liaison with analysts and investors (51% of IROs).

For small-cap companies, however, managing the production of the annual report and other compliance reports topped the list as the function that occupied the most of the IROs' attention and time – 57% of IROs indicated this to be so. This was followed closely by managing quarterly and annual earnings press releases (50% of IROs).

For small-cap companies, communicating key developments to the market and liaising with analysts and investors did not feature highly on their IROs' radar – no more than 25% of small-cap IROs indicated that these activities occupied the most of their attention and time. Organising investor events as well as developing, implementing and monitoring IR programmes featured even lower (less than 10%) on these IROs' radar.

The evidence is consistent with earlier findings that most large- and mid-cap companies' IROs are principally responsible for communicating and interacting with analysts and investors, whereas small-cap companies' IROs are principally responsible for managing the production of earnings press releases and annual reports.

Figure 10: Functions that occupied most of IROs' attention and time in the past 12 months.



Respondents were asked to rank the top three IR functions that they find most challenging in their organisations. The three most challenging functions were:

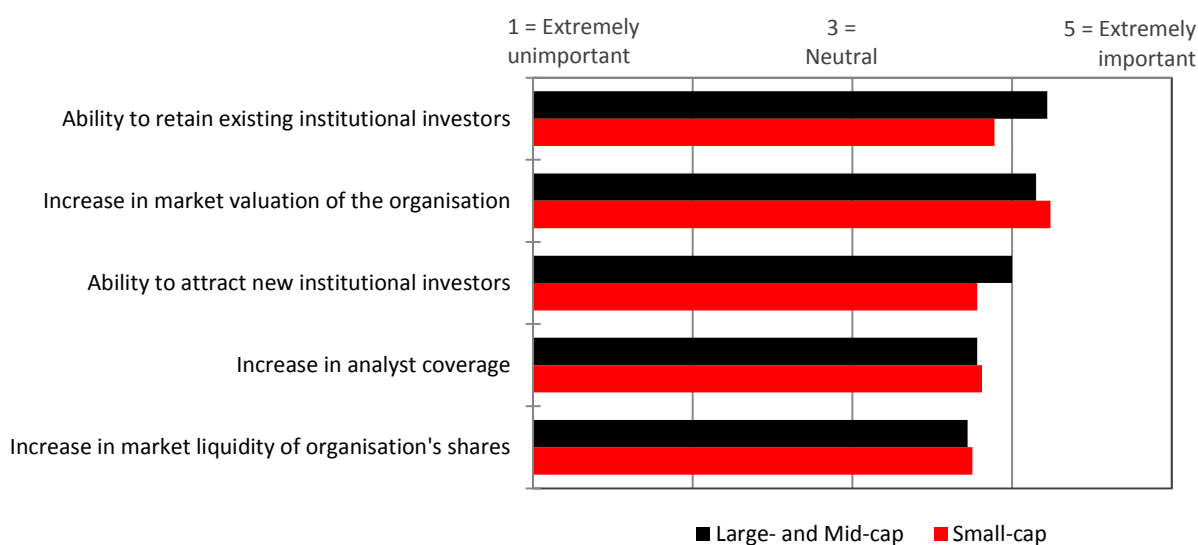
1. Communicating with institutional shareholders relating to finance and industry logistics
2. Communicating with investors on key developments in the organisation
3. Establishing an optimal mix and type of shareholders, and achieving that mix through various initiatives

KPIs of IROs

Respondents were asked to rate the relative importance of various key performance indicators (KPIs) as performance measures for their roles as IROs, based on a scale from 1 (Extremely unimportant) to 5 (Extremely important). Figure 11 summarises the results.

The ability to retain existing institutional investors as well as the increase in market value of the organisation were considered the most important KPIs – respondents rated these two KPIs with an average importance score exceeding 4. Of lesser importance were KPIs such as increase in analyst coverage and increase in the market liquidity of a firm's shares. The relative importance of these KPIs did not appear to differ significantly between large- and mid-cap companies versus small-cap companies.

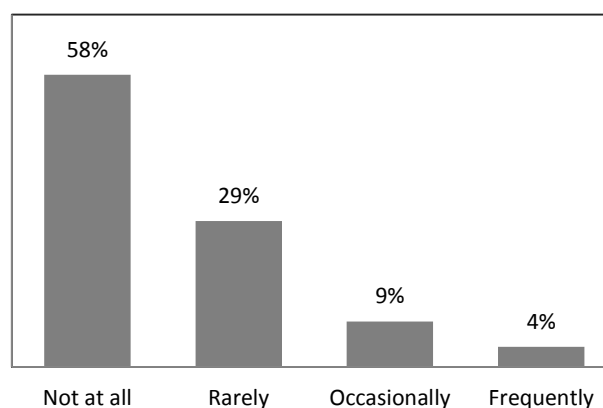
Figure 11: Importance of various KPIs as performance measures for IROs.



Use of social media

Respondents were asked how often they use social media as a tool to engage investors. Figure 12 shows the results. Despite the wide use of social media today, it did not feature frequently as a tool that IROs employ to engage their investors. More than 87% of the IROs indicated that they either rarely use or do not at all use social media to engage investors. Only 4% of the IROs indicated that they frequently use some form of social media to communicate with investors.¹

Figure 12: Percentage of IROs who use social media to engage investors.



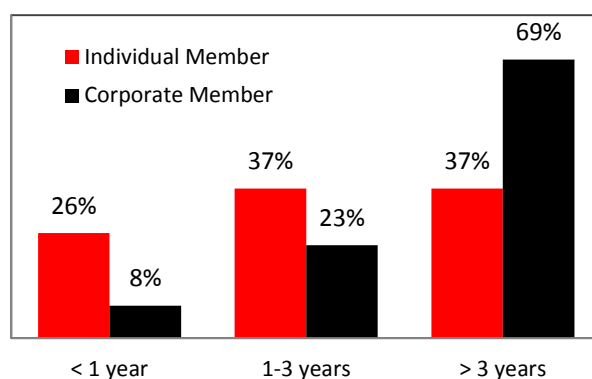
¹ In a global survey conducted by BNY Mellon and Cornell University in 2012 – “Global Trends in Investor Relations: A Survey Analysis of IR Practices Worldwide”, the study identified the leading reasons for a low adoption of social media in investor communications to include lack of investor demand, lack of resources, and lack of message control.

IRPAS Membership

To obtain a better understanding of how IRPAS might assist in furthering the professional interests of its members, the survey asked respondents some questions related to IRPAS membership.

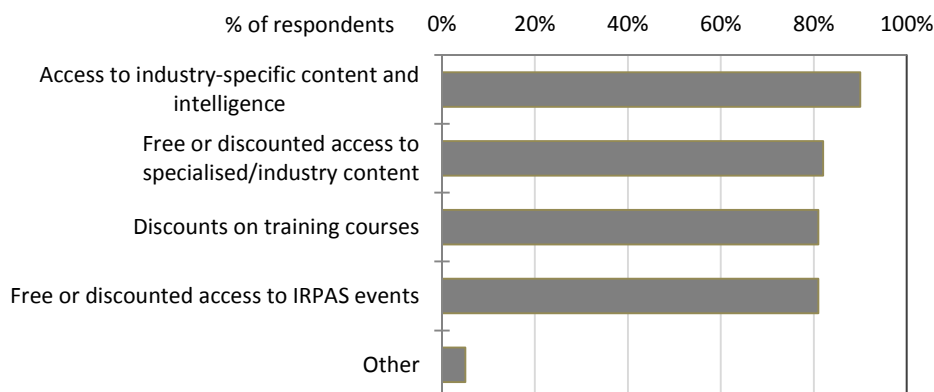
About 29% of respondent-organisations are currently corporate members of IRPAS, while 18% of respondents currently hold individual memberships in IRPAS. Of those who are currently corporate members, more than two-thirds have been corporate members for more than 3 years (see Figure 13), while more than one-third of those who are currently individual members have been members for more than 3 years.

Figure 13: Length of IRPAS membership.



Respondents were asked what benefits they might expect to receive from an IRPAS membership. Figure 14 shows the results. Highest on the list of benefits was access to industry-specific content and intelligence – 90% of respondents indicated this as a benefit expected of IRPAS membership. Such content and intelligence could include best IR practices among firms, résumés of job applicants, and career opportunities for IR professionals.

Figure 14: Membership benefits that respondents expect.



Other membership benefits that were popular among respondents, as shown in Figure 14, were free or discounted access to specialised or industry IR content and discounts on IR training courses and IRPAS events.

Respondents were finally asked to suggest a wish-list of courses, events or initiatives that IRPAS could consider organising that would potentially benefit its members. Key suggestions include:

- ♦ Networking events with IR award winners, experienced IROs, analysts and media
- ♦ Seminars on communications and marketing skills with investors
- ♦ Best practices on how to conduct Q&A sessions with investors
- ♦ Regulatory updates and SGX compliance.

Conclusion

This study provides insights into the structure and organisation of the investor relations (IR) function in Singapore listed companies as well as the roles and responsibilities of Investor Relations Officers (IROs) in these organisations.

The wider investor base and the consequent importance of reaching out to a larger and more diverse pool of investors for capital has resulted in most large- and mid-cap companies establishing dedicated IR offices or IROs to be responsible for the IR function. For the majority of small-cap companies, however, the IR function is adequately performed by an existing officer of another function, who in most cases is the CFO.

The vast majority of IROs of large- and mid-cap companies regard communication and interaction with financial analysts and investors as their most widely held roles and responsibilities as IROs. For small-cap companies, however, the IROs' more critical roles and responsibilities were that of managing quarterly or annual earnings press releases and annual reports, suggesting that such releases and reports remain the principal channel of communication with investors for small companies. Social media was either rarely used or not at all used as a communication medium to engage investors for all companies.

Most survey respondents see membership in IRPAS as providing them with access to industry-specific IR content and intelligence, which could include best IR practices among firms, résumés of job applicants and career opportunities for IR professionals. Respondents also suggested networking events with experienced and award-winning IROs as well as seminars on communications and marketing skills with investors as some of the events or initiatives that IRPAS could consider organising in the future.